



DEPARTMENT OF ENVIRONMENTAL QUALITY
POLICY AND PROCEDURES

SUBJECT: OVERHEAD RATE CHARGES FOR
CONTRACTUAL SERVICES

Number: 03-001

Date: July 25, 1997

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ISSUE:

The Department of Environmental Quality (DEQ) enters into a variety of contractual agreements with nonprofit organizations. These contracts contain provisions for overhead rate charges, usually expressed as a percentage of the total project cost. These costs can vary between contracts. It is desirable to maintain these rates at reasonable levels and to provide consistency between contracts to the extent possible.

DEFINITIONS:

"Overhead rate charges" means the expenses added to a contract to cover the continuing costs of operating an organization.

POLICY:

The DEQ establishes a maximum overhead rate of 20 percent for any new contractual agreement with nonprofit organizations entered into on a noncompetitive basis. Examples of such contracts include those entered into with local units of government, colleges and universities, and regional planning commissions. Any overhead rate in excess of 20 percent of total project cost must be approved by the Deputy Director for Operations.

PROCEDURE: Overhead Rate Charges for Contractual Services

Responsibility

Appropriate Staff

Actions

1. Negotiates contract with responsible entity.
- A. If overhead rate charge for contractual services exceeds 20 percent, forwards contract to Division/Office Chief for approval.

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PROCEDURE

Responsibility

Action

Appropriate Staff, cont.

B. If overhead rate charge for contractual services is 20 percent or less, contract is signed by appropriate staff.

Division/Office Chief

2. Reviews contractual overhead rate charge.

A. If approves the overhead rate charge, forwards to Deputy Director for Operations with explanation for the approval.

B. If denies the overhead rate charge, returns to appropriate staff for further negotiation.

Deputy Director for Operations

3. Reviews contract overhead rate charge and comments of Division/Office Chief.

A. If approves the overhead rate charge, returns to Division/Office Chief with signature.

B. If denies the overhead rate charge, returns to Division/Office Chief with reasons for denial.

Approved: _____



Date: _____

8/6/97